



PTRC Withholding

Fact Sheet

Withholding Overview

The Indiana General Assembly requires the Department of Local Government Finance to collect property tax data from counties. The Department reviews the data to ensure a fair and equitable property tax system for Indiana taxpayers. The Department is working to integrate the information into an online database that will allow the General Assembly and others to understand the impact of possible property tax policy decisions.

Indiana law requires the Department to withhold funds from the county unit of government when submitted data is non-compliant. (IC 6-1.1-21-4(e)) The state never wants to withhold funds from counties. However, the Department is required to ensure counties provide complete and accurate data for leaders to use when making property tax policy decisions.

Taxpayer Impact

Withholding of the funds affects only the county unit of government; not schools, libraries, cities/towns, townships. Taxpayers should not see an immediate substantial impact due to the withholding of the funds.

The Department withheld funds from 10 counties in April 2006 for non-compliant data submissions. The state released withheld PTRC funds to Jasper and Delaware counties since both have submitted compliant data since the initial withholding. As of August 2006, the state was withholding funds from Boone, Brown, Cass, Dearborn, DeKalb, St. Joseph, Spencer and Starke counties.

How It Works

The state provides local governments property tax replacement credits (PTRC) equal to 20 percent of taxes levied on real property. The State distributes these credits to counties throughout the year. County Treasurers collect these funds and distribute them to local units of government along with property tax revenues in June and December. The annual total of these funds can range from \$700,000 to more than \$5 million.

The state requires counties to submit assessed value information before and after deductions are applied and sales disclosure information. When counties fail to submit this data or submit noncompliant data, the Commissioner of the Department can request the State Auditor to withhold the Property Tax Replacement Credit distribution from the county unit. The state maintains the withheld funds and releases them only after the county makes a strong effort toward complying with the data standards. Withholding the funds provides the state a tool to encourage counties to submit compliant data.

When the Department receives compliant data, the Commissioner authorizes the State Auditor to release the withheld funds to the county. Quality data is essential to making sound property tax policy decisions that will affect Hoosiers. The Department is committed to ensuring it receives quality data from counties.

Frequently Asked Questions

Q: Why is the state withholding my county's money?

A: The state never wants to withhold funds from counties. However, we are required to ensure counties provide accurate data for leaders to use when making property tax policy decisions. The decision to withhold funds is one we do not take lightly; the decision comes only after all other avenues of gaining compliance are exhausted.

Q: What happens to the money that the state withholds?

A: The Auditor of State maintains the funds and releases them upon the request of the Commission of the Department. The decision to withhold funds is one we do not take lightly; the decision comes only after all other avenues of gaining compliance are exhausted.

Q: What funds is the state withholding?

A: The state is withholding the distribution of Property Tax Replacement Credit to the county unit of government only. The withholding does not affect schools, libraries, cities/towns, or townships. The state never wants to withhold funds from counties. However, the Department is required to ensure counties provide accurate data for leaders to use when making property tax policy decisions.

Q: Why are you withholding funds from my county when others are not compliant?

A: Quality data is essential to making sound property tax policy decisions that will affect Hoosier taxpayers. The Department initially withheld funds from 10 of Indiana's 92 counties due to the counties' lack of progress in complying with the 2003 data standard. Because this data is so important, our goal is 100 percent compliance. The Department reviews the status of county submissions routinely to determine progress. When the Commissioner believes a county is making a strong effort toward compliance, the state releases the funds.

Q: What is a 'strong effort toward compliance'?

A: Submitting quality, on-time data in the required format is paramount. When counties submit data that meets the requirements, the Commissioner will request release of the funds to the county. The state never wants to withhold funds from counties. However, the Department is required to ensure counties provide accurate data for leaders to use when making property tax policy decisions.

Q: What counties are currently non-compliant?

A: As of Aug. 23, 2006, the state was withholding funds from eight counties: Brown, Spencer, Starke, DeKalb, St. Joseph, Boone, Cass and Dearborn. The state never wants to withhold funds from counties. However, the Department is required to ensure counties provide accurate data for leaders to use when making property tax policy decisions.

Contact Information

For more information on the withholding, contact the Indiana Department of Local Government Finance at (317) 233-9222 or online at www.in.gov/dlqf.